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ABSTRACT

This guide contains six lessons developed to help parents teach their children to handle money wisely. Each lesson consists of a synopsis of the main ideas; key words; information covered in the lesson; self-rating questions for parents; what parents need to know about children in various age groups (preschoolers, 6-9, 9-12, and teenagers); activities for parents and children in each age group; other information; and a preview of the next lesson. The lessons cover the following topics: money management sense; where money comes from; saving and sharing; the spending plan; the pressures of advertising; and questions and answers. (KC)

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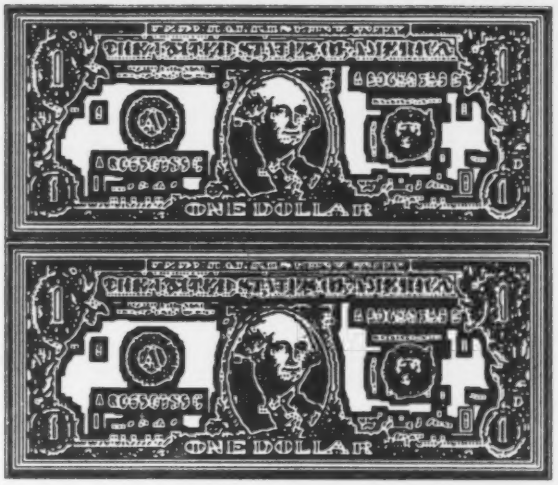

MONEY SENSE for your CHILDREN

HS0001
Cooperative Extension
College of Agriculture and Home Economics
Washington State University
Pullman, Washington

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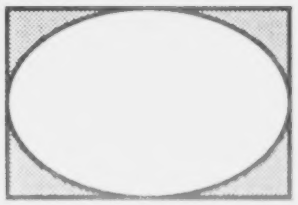

Lesson 1:

MONEY MANAGEMENT SENSE

Sally E. Horton, Cooperative Extension, College of Agriculture and Home Economics, Washington State University, Pullman

Main Ideas

Money management is a skill that must be learned.

Parents play an important role in teaching children how to manage money.

Children need to begin learning how to manage money at an early age.

All family members need to be involved in family money management.

Key Words

Money management *- Knowing how much money you have and then planning how to use it to reach your goals.*

Goal *- This is your objective - what you want or need. It is the thing you are working for. For example, a new car, a new bicycle, going to college, taking dancing lessons, having money for emergencies, and so on.*

Values *- These are your feelings of what is important to you. They are what you use as standards for making judgments and choosing your goals. Values are what you believe is right and good - for example, honesty, trustworthiness, and so on.*

Comparison shopping *- A way to be a better shopper. Check out the item you want to buy in different stores. Compare different brands and different styles and sizes. Wait till the item you want is on sale. Always look for the best buy.*

Family council *- A time for all family members to talk about matters that affect them. It is a good time for parents to share with their children and teach them skills needed for a happy, successful life.*

MONEY MANAGEMENT SENSE

Children are like sponges. From the time they are babies, they absorb what they see and hear around them. They get their ideas about money from you as parents. So it is logical that home is the best place for teaching children about money.

Young children can't understand everything about family finances, but they can understand a little. A good way to help them "grow into" good money management skills and values is to let them share in family discussions.

Every family is different. You have to decide for yourself whether to tell your children exactly how much money you make in dollars and cents. But if children know how the family stands financially, they can do a better job of handling their own money. The more they understand about family income, expenses, and goals, the more willing they may be to cooperate with the family spending plan. For example, if children know that family income is irregular or that the family has had a financial setback, they can understand why they can't have the expensive jeans or shoes they wanted.

Teaching children the value of money without emphasizing it too much is a challenge to parents. Answer these questions to find out how well you are teaching your children to manage money.

HOW ARE YOU DOING? RATE YOURSELF

Does each of my children have some money to manage without my interfering?

Have I helped each of my children set up a spending plan?

Have I explained why and how people save money for future goals?

Do I avoid using money as a reward or punishment?

Does each of my children have regular household chores to do?

Do I set a good example by being truthful about money matters?

Do I give my children more financial responsibilities as they get older and gain experience in handling money?

Do my children participate in family financial planning?

Am I a good money manager, giving my children a good example to follow?

"Yes" answers show that you are probably helping your children gain money management skills. "No" answers suggest that you may need to help them more. Either way, this home study series will offer ideas for new ways to make both you and your children better money managers.

WHAT PARENTS NEED TO KNOW

Children are not born with "money sense." They learn by what they see, hear, and experience. They learn by mistakes as well as successes. As a parent, you are teaching your children every day - not just by what you say, but by what you do. The way children learn depends partly on their age.

Preschoolers: Preschoolers learn from doing. Words, actions, facial expressions, and tone of voice tell preschoolers how you feel - about money as well as other things. Four- or 5-year-olds are ready for simple money experiences.

Six- to 12-Year-Olds: Children mature at different rates. Don't expect these age descriptions to fit your children exactly. Six- to 8-year-olds are usually eager to learn but restless. Sometimes it's hard for them to make up their minds. They need to be encouraged to make decisions on their own. By age 8 they may understand the idea of saving money but they may still have unrealistic ideas about what they can buy with it. By age 9, children can often make decisions and plans for carrying them out. During the ages of 9-12, children are likely to become conformist and follow the crowd. Often they are very much afraid of looking "different." Children at this age need a chance to let off steam, to express themselves, to talk, and to show their independence. They also need understanding and guidance from their parents.

Teenagers: By the time youngsters reach high school, they often feel they can take care of themselves and make their own decisions. This is an age where young people benefit from having been taught money management from an early age. Such training has given the teenager the skills and confidence needed to solve money problems.

THINGS TO DO

Family

- Have regular family council meetings - maybe once a week, every two weeks, or once a month. All family members get together and talk about their needs and wants and what they can afford to do as individuals and as a family. This way, children can see themselves as "partners" in family money management. A regular family council helps children understand that family spending depends on your own family's income, obligations, and values - not on what friends or neighbors spend.
- At your first family council meeting, talk about family goals. Make a list of your goals, estimated costs, dates you hope to achieve them, and what each family member will do to help reach the goal.
- Play a "value voting" game. Read these situations aloud at a family council meeting and let everyone vote. Then let them explain why they voted the way they did. Make up your own situations to vote on.

  1. If I had an extra $15.00 today, I would:

  a. Buy a book.
  b. Buy clothes.
  c. Save it.

  2. If Mom and Dad had $2,000 extra, they should:

  a. Invest in the money market.
  b. Buy a VCR.
  c. Give it to charity.
- Use family council meetings for comparison shopping. Family members can bring catalogs, newspaper ads, and coupons to compare. You may want to chose one family member to look for brand-comparison articles in consumer magazines (usually available at your local library).

Preschoolers

- Play store with your child or several children in the neighborhood. Let the children buy and sell toys, food, or "pretend" items. (An empty box can be anything from cereal to a TV set.) You can use play money from games or make your own.
- Take your children on a shopping trip. Give them a small amount of money to spend. Let them decide

what to buy and then pay the cashier. Later you can talk about the purchase. Were the children pleased, unhappy, satisfied, etc.?

- Help children understand that family members work so they can pay for family needs - housing, food, clothes, etc. Talk about who works in the family and what they do. You might even take the children to see them on the job, or at least see where they work.
- Let the children cut out pictures from magazines to show what the family spends money for. Help them make a poster and hang it in their room.
- Explain why the children can't buy everything they may want. Talk about the difference between what people want and what they need. Let children pick out needs and wants from pictures on their posters.
- Encourage children to buy things sometimes that they can share with others — food, games, puzzles, balls, crayons, and so on.
- When children can count to 10, introduce them to coins. Explain how they go together —5 pennies are the same as one nickel, two nickels or 10 pennies are the same as one dime, and so on. Talk about what different coins can buy.
- Don't hand out money every time children ask for it or see something they want. If you hand out money this way, children will get the idea that all you need to do when you want money is to ask for it.

Six- to 12-Year-Olds

- Give children a chance to make shopping decisions. Show them how to comparison shop. In the grocery store, point out unit prices, store brands, and generic items.
- Get the children involved with family money management—making out monthly checks, addressing envelopes, mailing packages, helping with shopping, gathering information before a major family purchase.
- Provide opportunities for children to earn money. Keep earnings separate from allowance. (More about this in Lesson 2.)

Teenagers

- Let teenagers manage their own money. They should be responsible for paying most of their personal expenses out of their allowances and earnings.
- Give teens more responsibility in family money management.
- Encourage teenagers to earn money - either by finding a job or by starting their own business. But remember that 14-20 hours per week are enough to work. Longer work hours cut into the study time that this age group needs.
- Help teenagers understand when to use cash and when to use credit. (You may want to use Extension publication EB0885, "Money Talks: Credit," available for 25¢ from your county Extension office.)
- Encourage long-range planning—education, job, and future.

COMING

In our next lesson we will discuss where children get their money and how to use allowances to teach good money sense.

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Lesson 2:

WHERE MONEY COMES FROM

Sally E. Horton Cooperative Extension College of Agriculture and Home Economics Washington State University Pullman

Main Ideas

Allowances, gifts, handouts, and earnings are the sources of money for most children.

A small regular allowance will do a child more good than unpredictable handouts, even when they mean more money.

Giving children money whenever they need it or ask for it, instead of on a regular schedule, makes it hard for them to plan ahead.

When children receive money as a gift, unless it is a really large sum, they should be able to decide how to use it. Encourage them to save part of any large money gift.

Earning money helps children become financially independent and helps them learn to make economic choices.

Earning money can teach children that money comes from time, skills, and effort.

Key Words

***Allowance** - a specific sum of money given to a child on a regular basis to cover certain personal expenses.*

***Earnings** - money received for jobs besides a child's regular chores, either at home or away from home. It is the child's "paycheck."*

***Chores** - work done at home on a regular basis as part of the responsibility of being a family member.*

***Gift** - a present, usually for a special occasion like a birthday or graduation.*

***Handout** - money you give your child to cover an immediate expense, whether it is bubble gum or gas money.*

WHERE MONEY COMES FROM

Where do your children get their money? Most children get money from allowances, hand-outs, cash gifts, and/or earnings. Earning money is a valuable experience that should be encouraged as long as it does not take too much of a child's time. But children can't earn enough to support themselves, and their earnings are often irregular. An allowance gives youngsters a chance to manage money and practice living within a regular income as if they were employed. This experience is most nearly like the adult world they will move into all too quickly.

Some parents feel that they really can't afford an allowance for their children. It sounds like one more expense added to the budget. But it doesn't have to be an extra expense - in fact, it may save you money. A good way to start is to keep a record of how much money you give your child in a typical week and what it goes for - school supplies and lunches, movies, ball games, or concerts, toys, sports equipment, books, magazines, and comics, minor clothing items, grooming aids or cosmetics, snacks, and so on. This is the amount that you're already spending on your child, over and above the basic needs like groceries, housing, and essential clothing. Try giving this same amount as an allowance, instead of in unpredictable handouts. It's not extra money going out of the family budget - it would have been spent anyway. But now the children will be learning how to manage money. With a regular income, instead of unpredictable handouts, they can learn to plan ahead for spending and saving.

THE ALLOWANCE

For an allowance to work, parents and children must know what expenses it is supposed to cover. You may want to make a list of these expenses. Talk about how to handle overspending and other problems that may arise.

Some parents think of an allowance as a sort of wage for the chores that children do around the house or yard. But if children think they must

be paid for every bit of work they do, they don't learn much about the responsibility of being a family member. By giving them regular chores to do *without* payment, you teach them to accept their responsibilities and give them the good feeling of being a productive part of the family.

In the same way, children have a right to some share of the family income just by being members of the family. You give them part of that share by paying for their basic food, clothing, and housing, and maybe other things like piano lessons or college tuition. If you give them another part of their share in the form of an allowance - an allowance that they don't have to "earn" by their chores - you can be teaching them good money sense at the same time.

By keeping chores and allowance separate, you teach them that people have responsibilities to fulfill without expecting money as a reward, and that helping around the house is part of belonging to a family.

This means that a child's allowance should have no strings attached. Make the agreement that is most acceptable to you and your child and then stick to it. Stopping your child's allowance as a disciplinary measure, or increasing it as a reward, would be the same as giving wages for good behavior. Instead, use allowances to let your children know they are valued members of the family and at the same time teach them how to handle money and make decisions.

SOME GUIDELINES FOR AN ALLOWANCE

Beginning with the first allowance and continuing as long as the child receives one:

- Be consistent. Set a day to give the allowance as well as the amount. Agree upon the limits for spending.
- Don't use the allowance as a lever to discipline. Withholding or reducing a child's allowance for bad behavior and increasing it for good behavior defeats the purpose of an allowance, which is to teach the basics of money handling.
- Don't link household chores with the allowance. It is reasonable to expect a child, as a member of the family, to carry out tasks around the house consistent with the age of the child. Household jobs can be made fun! Sometimes a weekly, rotating schedule will avoid nagging or the need for constant reminding.
- Every allowance should include some money children can spend however they wish. Children need practice making their own decisions - and they also need fun and "goodies" of their own choosing!
- Don't come to the rescue every time your youngster runs out of money. If children are ever going to learn how to manage money, they must face the consequences of their own spending mistakes.

EARNINGS

Earning money - either at home or at an outside job - lets children add to their allowances and at the same time develop a good attitude toward work.

For extra money, offer children the chance to do extra work around the house (besides their regular chores). Think of jobs that you might hire outside help for - such as weeding the garden, cleaning the basement, cleaning leaves from the roof, mowing the lawn, babysitting, etc. - and hire your children instead. The job should be something the child can really do. Don't give children jobs that are too hard for them. Agree on the amount of payment before the work begins. If your child is capable of doing the job and wants to do it, pay what you would for outside help - provided that the work gets done reasonably well. Overpayment only gives the child a false idea of what it takes to earn money.

As children get older, they may want to look for work outside the home. Before children accept a job, be sure they understand the responsibility it carries. Be sure they have enough time for fun, sleep, study, school activities, and family responsibilities.

Children often overestimate their ability and then feel like failures. Youngsters' school work may suffer if they work too many hours. Fourteen to 20 hours per week of outside work is the maximum that most youngsters can handle.

Earnings mean taxes. Teenagers with outside jobs need to understand how income tax works - why taxes are assessed, what they are used for, what withholding means, and so on.

A job can help your child understand money in terms of time, skill, and effort. Perhaps your child never thought about the relationship of a hamburger to an hour's worth of babysitting or grass cutting.

THINGS TO DO

Parents

- Keep a record of "handouts" for a week or so for each child.
- Evaluate where the money is going. Talk with each child separately and at a family council meeting. Consider using the allowance approach described in this lesson.

- Discuss the allowance with your child before beginning it. Decide on such things as:

The amount: $_____

The day it will be paid: _____

The expenses it will cover:

_____

_____

_____

_____

_____

_____

_____

_____

The amount to use as I choose:

$_____

The date to review how I've used my allowance:

_____

It might be helpful to write this up in the form of a contract and have both parent and child sign it.

- If your child already gets an allowance, think about whether it needs any adjustments. What expenses does it cover? Does the child have a little left over for "just for fun" spending? Is the child old enough to be given more responsibility?
- Offer your children opportunities to earn money at home or away from home. Make a list of possible jobs and talk about advantages and disadvantages of each.

At Home

_____

_____

_____

_____

Away From Home

_____

_____

_____

_____

Decide on an "at home job" and sign a contract with the child.

I will _____

(job)

for _____

(dollar amount)

on _____

(day)

_____

Child's Name

Preschoolers

- Let the child pay for small items in the store when you shop, to get an idea of how much money it takes to buy different kinds of things.
- If older children in the family get an allowance, the preschooler at 3 or 4 may be mature enough to begin receiving a small amount of money regularly.
- Even toddlers can have regular chores, such as putting toys away.
- Let preschoolers help with chores they are too young to do on their own - this is how they learn.

Six- to 12-Year-Olds

- Provide an allowance based on the child's expenses and ability to handle money. Younger children may need to receive their allowance two or three times a week; an older child could manage a weekly allowance.
- Help the child plan how to use the money. (Lesson 4 will explain in detail how to make a spending plan.)
- Assign regular chores to each child. Make sure children know how to do each job and praise them for doing good work.
- Give children chances to earn money, at home or outside the home. Be sure your child understands any costs of working away from home, such as bus fare or lunches. Help the child make a list of expenses and decide together if the job is worthwhile or not.

Teenagers

- Give teenagers a monthly allowance. Encourage them to plan their spending and keep records of what they spend. (Detailed instructions for spending plans will be given in Lesson 4.) Talk about the plans at family council meetings or one-on-one and help them decide on any changes needed.
- Encourage savings (more about this in Lesson 3) and long-range planning.
- Help teenagers with outside jobs understand how to include taxes in their planning. Go through federal income tax forms with them.

COMING

The next lesson will explore the concepts of saving and sharing money.

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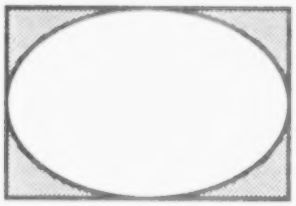


Lesson 3:

SAVING AND SHARING

Sally E. Horton, Cooperative Extension, College of Agriculture and Home Economics, Washington State University, Pullman

Main Ideas

Children use their money for spending, sharing, and saving.

To get the most from their money, children need a plan for using it.

Saving means the most when it is done to reach a goal.

Sharing money can help children learn to share in other ways.

Key Words

***Goal** - This is your objective; what you need or want. It is what you are working for.*

***Need** - Something necessary for life - basic food, clothes, shelter, medical care.*

***Want** - Something you believe or think will make your life happier or easier, even though you can live without it.*

Like adults, children use money in three main ways. They spend it, share it, or save it. This lesson will explore saving and touch on sharing; the next lesson will highlight spending and making a spending plan.

UNDERSTANDING SAVING

Piggy banks can introduce small children to the idea of saving money. There's nothing wrong with forming the habit of dropping pennies into the bank, without thinking about what they will be used for. But saving takes on a whole new importance when you have a goal in mind. Saving for a goal can inspire children (and adults) to take control of their spending habits and to plan for future needs and wants.

Any kind of planning means thinking ahead - having a clear idea of the future and the passage of time. This is something that children are not born with, and they learn it very slowly. Five- and 6-year-olds may use words like "month" and "year," but they can't really imagine what it means to live through those time periods. As their own memories get longer, it gets easier for them to think ahead and to understand what time means. But until they are 12 or even 15 years old, they may not understand time in the same way as grown-ups do.

Saving for a goal may help children learn to plan in other ways, too. Elementary school children have a hard time understanding saving for college or future security. But the 9-year-old who wants a baseball bat begins to understand the importance of putting aside money each week to have enough for a purchase later on. Older boys and girls learn to save for clothing, vacations, stereos, and college.

When your children have gained some experience in handling money, it is probably time for them to open a savings account. Choosing a bank or other savings institution can teach them a lot about the world of money. The idea of interest - making your money "grow" - is an important one. Help your children comparison shop for a good interest rate.

Most financial institutions welcome younger customers, since they will be the customers of the future. These organizations may have special leaflets and other information for youngsters or first-time savers.

Helping children learn to save for specific things can be a valuable experience. They will learn that if they don't fritter away their money on many small purchases, they can afford more expensive things later. When children begin setting goals, be sure you guide them. But do not set goals for them.

TIPS FOR PARENTS

- Your example is the best teacher for your children.
- "Saving for a rainy day" doesn't mean much to a child. It's much easier to save for a definite goal that they can picture.
- Goals need to be realistic - consider the child's age and maturity.
- Money will add up faster if a child learns to save regularly, no matter how small the sum may be.
- Remember that the piggy bank is for the child. If you borrow money out of your child's bank, be sure to repay promptly.
- Because so much of the world is new to children, and because it's hard for them to imagine the future, children are great "impulse buyers." They often run into things unexpectedly that they want very much. Then they may spend money that they were saving for a different goal. If this is a problem for your children, encourage them to make one of their goals a "cushion" - a sum of spare money not earmarked for any other goal, so they can use it for whatever comes up.
- Children usually learn better from praise and encouragement than from criticism and scolding. Pick out what they are doing right and try to build on it, instead of just looking for what they do wrong.

SHARING

Training a child to give and share has a value beyond the world of money. Sharing develops thoughtfulness. Preschoolers learn their first lessons in sharing as they exchange or share toys and personal possessions with family members and friends.

Remember that children learn by example. When children see parents and older brothers and sisters sharing their resources, it becomes a natural thing for them. Encourage children to share - not just money and material things, but their time, skills, and ideas.

Encourage children to contribute to community charity projects or other worthwhile endeavors. This helps develop a concern for the welfare of others by going beyond the familiar circle of family and friends.

THINGS TO DO

Family

- Plan a family outing or vacation. Figure out how much it will cost and plan how to save the money. Let all family members work together to reach the goal.
- Visit different savings institutions - banks, credit unions, and savings and loans. Bring back information on different kinds of savings accounts and compare them at a family council meeting.

Preschoolers

- Make a bank. Talk about why you put money in a bank. (You might use the following instructions for a "Whale Bank" from a GlassPlus, Spray 'n Wash, or Fantastik 32-oz. refill container, or make up your own design using different boxes, cans, or other containers.)

To Make a "Whale Bank":

(1) On curved side of container, cut slit 1 1/4" x 1/8" for coins.

(2) Make a base using seven ice cream sticks: glue five sticks edge to edge; then glue a stick flat on top of stick one and another on top of stick five. (This will keep the bank from rolling over.) Glue flat side of container to base.

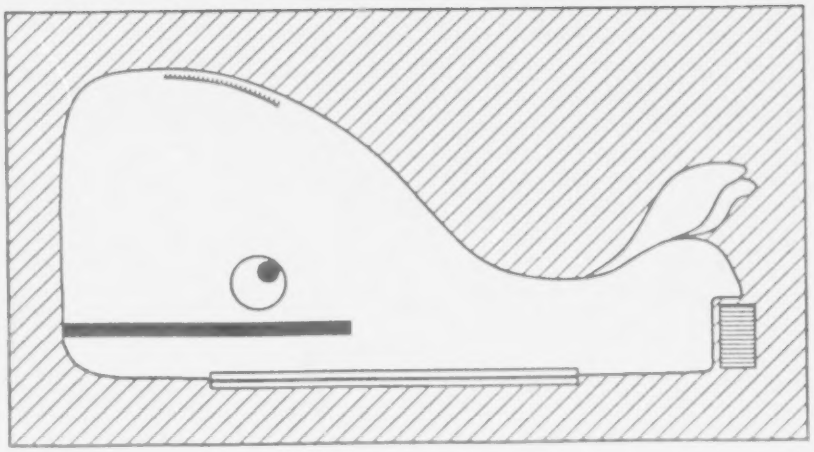
(3) Draw eyes on paper; color, cut out, and glue them onto sides of the container. Whale's mouth can be drawn on with black pen, or cut an 11" x 1/8" strip of tape and tape on.

(4) Fold felt or paper in half and cut out tail shape. Glue tail onto neck of bottle.

Six- to 12-Year-Olds

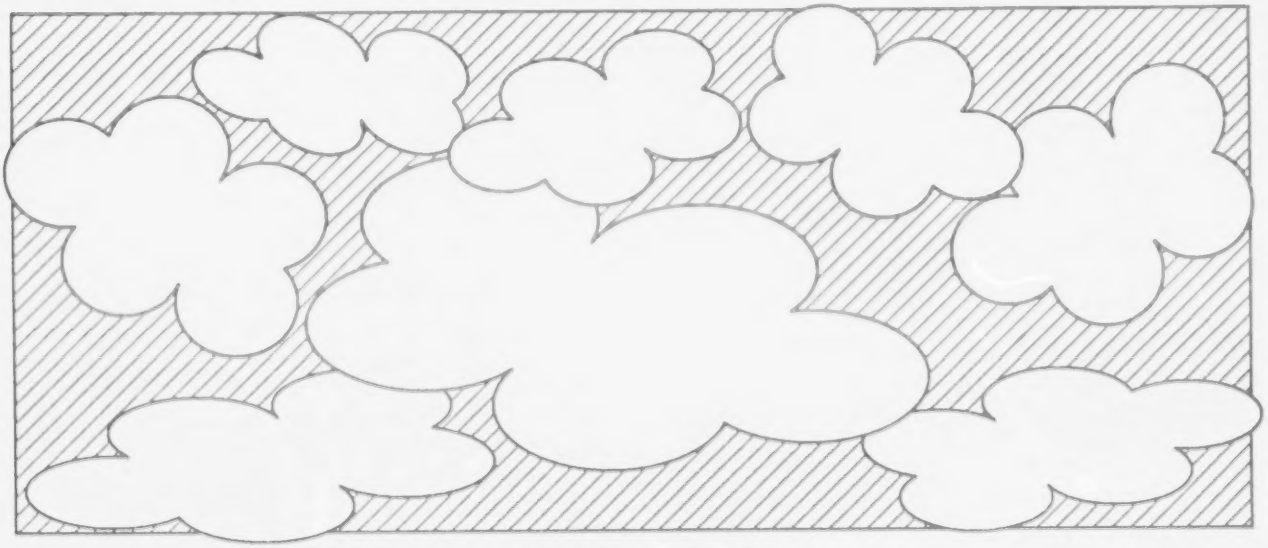
- Let each child open a savings account. Be sure the children understand that they are not losing their money when they give it to the bank or other savings institution. Explain that the money is going to grow and that they'll have more when it's taken out. Some children fear they are giving away their money when it's put in a savings account.
- Make plans for gifts for birthday, Christmas, or other special occasions. Help children understand that sharing can be one of the goals of saving.
- Help children understand that they have other resources besides money, including their time, skills, ideas, and effort. Show them how they can use these resources to reach goals. For example, they might use their time and skills to make gifts - such as a bank for a younger brother or sister.
- Have a "Making My Dreams

Come True" session at a family council meeting. Ask the children to list their wants, starting with what they want the most. Have them estimate the cost of each one and plan how much money per week to save for it. Use a cloud picture like the one below for each child. Write the most desired item on the biggest cloud, with the date the child believes the dream can come true. Write in other wants on other clouds. At later family council meetings, you can talk about how well the plans worked and what went wrong.



Teenagers

- Help teenagers find information about savings and investments beyond the savings account. (Ask your Extension agent about other Extension publications that might be useful.)
- Encourage long-range planning. You could use the "Making My Dreams Come True" activity with teenagers too.
- As teens mature, encourage them to broaden their ideas of sharing - for example, by volunteering their time and effort of community projects.
- Teenagers can learn by evaluating their own actions - mistakes and failures as well as successes. Encourage them to ask themselves questions like: "What did I do? What were the results? What could I have done differently? What would probably have happened then? What choices do I have now? What may the results be?"



COMING

In our next lesson we will explore the "hows" and "whys" of a spending plan.

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Based on materials from the Clemson University Cooperative Extension Service, South Carolina.

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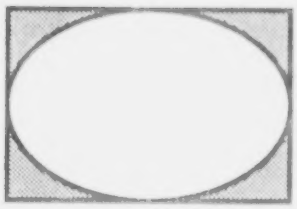

Lesson 4:

THE SPENDING PLAN

Sally E. Horton, Cooperative Extension, College of Agriculture and Home Economics, Washington State University, Pullman

Main Ideas

Writing down your income and expenses can provide a guide for planning your spending.

A spending plan can be a guide for achieving goals.

A spending plan needs to be simple and suited to your needs.

Key Words

Spending plan *- A simple guide to show where money comes from, where it's going, and how to use it to meet needs and wants. A budget.*

Income *- The money you receive. For children, the usual sources of income are allowances, gifts, handouts, and earnings.*

Expenses *- The money you spend to buy the things you need and want.*

MONEY MANAGEMENT

"Money management" is simply knowing how much money you have and then planning how to use it. A good method of managing money is a written spending plan. Children may have no idea how much money is being spent on them or how much they are spending until they see it written down.

A spending plan can help children of almost any age to straighten out their ideas and goals. The plan is a tool to guide them in making decisions and choices. When you make a spending plan, remember the difference between needs and wants. A need is something necessary for life, such as basic clothing, food, and housing. A want is something you believe will make life happier or easier, but it is not necessary for life. In other words, you could live without it.

Don't wait until children are old enough to earn money before you start talking about spending plans. As soon as children are old enough to get an allowance, introduce them to the idea of a spending plan. A plan can be for a week at a time, a month, or a whole year, depending on a child's age and maturity, and on the amount and frequency of allowance or other income. The plan for a 5-year-old would be very different from a 15-year-old's.

HOW TO MAKE A SPENDING PLAN

A spending plan is a simple guide to show where money comes from, where it's going, and how to use it to reach goals. Making a spending plan with your child can help you decide how big an allowance each child needs.

To make a spending plan, your child needs to know the answers to three questions:

- How much money do I have for spending?
- What are my goals?
- How much will these goals cost?

WHERE DO YOU START?

You can begin by keeping a spending record for each child for a few weeks. Make sure that you or the child writes down all the money spent and what it was spent for.

After 3 or 4 weeks of keeping a record, you are ready to make a spending plan. By this time, your child will know where the money is being spent and will have a better idea of what expenses to plan for.

Steps to making a spending plan:

1. Write down expected income for the coming week and total. (Examples: allowance, earning, gifts)
2. Write down the expenses you are planning on during the week. Include the amounts to be saved and shared. Add them all together. How does this compare with income? If planned expenses are more than expected income, decide which expenses to cut back on.
3. During the week, keep track of expenses. At the end of the week, add them up.
4. Now compare your planned expenses and your actual expenses.

5. Make necessary changes in your spending plan for next week. If expenses are out of line with income, you will have to make changes in one or both. Are there items of spending, saving, or sharing that should be cut out or reduced? Should the allowance be larger? What about earning more money?

The success of the plan depends on frequent checking on where money is going.

THINGS TO DO

Parents

- You may want to work on a spending plan for the whole family, either alone or in a family council meeting with your children. Ask your county Extension agent for "A Guide to Budgeting for the Family," PNW 237.

Preschoolers, 6- to 12-Year-Olds, and Teenagers

- Use the following charts to help each of your children work out a personal spending plan. For a preschooler, the plan will be very short and simple. You may want to make up your own forms. The important thing is to have a written outline of income and expenses (including sharing and saving) to use as a guide. A spending plan answers the question "Can I afford this?" which children as well as adults have to face many times a week.
- Help your children learn more about their needs and wants. Use the chart, "Personal Expenses of Children," in this lesson to help you. Filling out the chart will help both you and your children understand your money needs better.

PLANNING FOR THE FUTURE

NEEDS AND WANTS

List your needs and wants for the next _____ (Week, month, 6 months, year, etc.)

Activity/Item	Date Needed	Cost	Amount To Save Weekly	No. of Weeks Need to Save
Concert	June 30	$5.00	$1.00	5 weeks

WHAT I CAN SPEND

Where I Get Money	How Much Money I Get		
	Weekly	Monthly	Yearly
Allowance	$3.00		
Totals			

MY SPENDING PLAN

MONTH _____

Income I expect:	First Week Date:	Second Week Date:	Third Week Date:	Fourth Week Date:

MONEY TO SPEND	Planned	Spent	Planned	Spent	Planned	Spent	Planned	Spent
School Supplies								
School Lunches								
Club Dues								
Recreation— Examples: Movies, Books, Skating, etc.								
Snacks								
Hobbies								
Grooming Aids								
Clothes and Shoes								
Other								

MONEY TO SHARE								
Gifts								
Charity								
Church								
Other								

MONEY TO SAVE								
Savings Account								
Special Item— Bicycle, Dress, etc.								
Special Event— Camp, Trip, etc.								
Other								

TOTAL								

PERSONAL EXPENSES OF CHILDREN

POSSIBLE NEEDS OR WANTS	NEEDS AND WANTS OF YOUR CHILDREN
Under Age 6: Small toys and playthings; Books and records; Ice cream or snacks; Crayons and paints; Gifts for others; Church	Under Age 6:
Ages 6 to 9: Games and toys; Books and magazines; Snacks; Hobbies; Sports equipment (skateboard, skates, bicycle, game balls); School lunches; School activities; Gifts for others; Church and contributions; Club dues and expenses; Field trips	Ages 6 to 9:
Ages 9 to 12: Snacks; School lunches; School expenses and activities; Hobbies and special projects; Books and magazines; Records and tapes; Sports equipment; Bicycle; Games to play at home; Club dues and expenses; Trips and special events; Gifts for others; Church and contributions; Some clothing items; Some grooming supplies; Savings for specific purposes	Ages 9 to 12:
Ages 13 to 15: ALL or MOST of items in age group 9 to 12 and also possibly: Grooming equipment and supplies; Cosmetics; Clothing and jewelry; Movies and concerts; Camera and supplies; Bus fare or other transportation; Money for dates	Ages 13 to 15:
Ages 16 to 18: ALL or MOST of items in age groups 9 to 12 and 13 to 15 and also possibly: Clothing or uniform for a job; Gasoline (family or own vehicle); Own vehicle; Vehicle license and insurance; Own telephone; Savings for education or travel	Ages 16 to 18:

COMING

The next lesson will look at the pressures of advertising and how you and your children can deal with these pressures.

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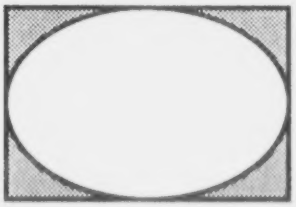

Lesson 5:

THE PRESSURES OF ADVERTISING

Sally E. Horton Cooperative Extension College of Agriculture and Home Economics Washington State University Pullman

Main Ideas

TV and radio advertising constantly urges children to buy, buy, buy!

Products are designed especially to attract children to purchase them.

The advertising industry sees young people as an excellent market. Instead of being victims of advertising pressure, children can learn to use advertising as a source of useful information.

Key Words

Advertising *- A way manufacturers try to sell their products, by calling consumers' attention to them. Advertising is designed to make products seem necessary or desirable.*

Commercial *- An advertising message on television or radio.*

Consumers *- The people who buy and use products.*

CHILDREN AND ADVERTISING

Many of the things that children ask for are things they want because of high pressure advertising on TV and radio and in newspapers, movies, and brochures. Children who haven't learned to read yet can recite TV commercials about toys.

Exposed to highly developed sales techniques in most TV and radio commercials, our children are constantly pressured to buy. Persuasive entertainers encourage them to identify happiness with possessions and endlessly urge the purchase of new gadgets, breakfast cereals, or expensive toys.

Children in elementary school and high school are deluged with advertising. The "youth market" is a big one, and advertisers have sizable budgets to reach this group. That makes it important for children to learn the right attitude toward money at a very early age.

Teenagers today are very important consumers. In this country they spend over $65 billion a year. With that economic power, little wonder they are subject to many pressures from disc jockeys, record companies, cosmetic manufacturers, beer and cigarette industries, and others.

The commercialism of the new "youth culture" is extended to the 9-,to13-year-olds, who are also a target of fashion, record, and even cosmetic manufacturers.

Teenage credit cards are now a status symbol. They are promoted by stores as a sign of adulthood and as a "way for teenagers to learn" how to be consumers in today's world.

As parents you can help your children understand the role of advertising in our marketplace.

BUT FIRST THIS IMPORTANT MESSAGE ...

Are those words familiar to you? They should be, since in the course of a day the average American sees or hears 76 advertising messages.

That's one advertisement every 13 minutes.

WHAT IS ADVERTISING?

An advertisement is a message that tries to sell a product or service. Advertising has two functions, *to inform* and *to persuade*. By being alert to these two functions, we can use advertisements to our advantage. The factual content of an ad can often help us make sound purchasing decisions.

Advertising has many good effects. It provides jobs for thousands of people, pays for commercial TV and radio, often gives information you can use in comparison shopping, and introduces new products. But an advertisement is always trying to sell something. An ad may give you information, but only the information that the advertiser thinks will persuade you to buy.

You can teach your children to *use* advertisements, not let advertisers use *them*.

Explain to children that they don't have to believe everything an ad seems to say. Federal law forbids advertisers to make false statements. In other words, they are not allowed to tell lies. But an advertisement may combine true statements with scenes and images that make it *imply* something that may not be true at all. For example, a cigarette ad might show a high-powered speedboat on a beautiful lake. This has nothing to do with cigarettes, and nothing at all is *stated* - nobody has told a lie. But the *implication* is that this brand of cigarettes is smoked by people who like and can afford expensive boats and exciting vacations - and if you want to be like them, you should smoke the same brand.

HOW DOES ADVERTISING WORK?

Advertising's main aim is to get you to buy. One very effective way is to appeal to your emotions. Let's look at a few examples:

The desire to be like others. For example, an ad may imply that all teens wear a certain type jeans and if you don't you aren't very important.

Fear. Such ads imply that if you don't use a certain product you will lose your sweetheart, or smell bad, or look ugly.

Snob appeal. These ads imply that buying a certain item makes you a leader or a success.

Comfort and enjoyment. Such ads suggest physical pleasure, such as good flavor, soft texture, health, or freedom from pain.

Sex appeal. These ads want you to think a product will automatically make you popular with the opposite sex.

Desire for a bargain. Prices and free gifts are stressed.

Instant happiness. These ads imply that you will be assured of happiness as soon as you buy and use the product.

If you know what an advertisement is trying to do, it's easier to decide whether you really want to buy the product.

THINGS TO DO

Family

- At your regular family council meeting, talk about ads that family members have seen or heard. How much did the ads really tell you about the products? How much was "window dressing" that could just as well have been used for other products? What emotions did the ads try to make you feel?

These are some things to look for in an ad:

Information

- Style
- Color
- Size
- Weight
- Shape
- Quantity
- Where available
- Features
- Who makes it
- What it is for
- Regular price
- Former price
- Current price

Persuasion

- Impressive illustration
- Vague claim of economy
- Indefinite statement of quality
- Play on hopes - health, glamour, "a new you," romance, enjoyment
- Play on fears - pain, social failure, accident, bad breath
- Price: "$30, worth $40"
- "Selling elsewhere for..."
- "Should sell for..."
- "Certified value"
- "Made to sell for..."
- "Savings up to..."
- "Now only..."
- "Below cost"
- "Your last chance"

- Analyze an ad -
  - What is written down, shown on TV, or heard on the radio?
  - What does the ad really tell you?
  - What do the advertisers want you to think?
  - What *do* you think?
  - How can the ad help you?
- Make up a new product as a family. Let all family members old enough make up ads for the product. Show and talk about the ads at a family council meeting. How did each ad try to "sell" the product?
- Find newspaper and magazine ads that appeal to emotions. Make a collage using the ads. Discuss the ads. Hang on family bulletin board for a while to encourage wise use of advertising among family members.

Preschoolers

- As you watch TV together, talk about the commercials. Explain the difference between ads and programs. Help your child understand that commercials are partly "make-believe."
- Introduce your preschooler to children's programs on public TV channels, where there are no commercials. If you have cable television, there are also ad-free children's programs on some cable systems.
- Give children other things to do besides watching TV - playing with friends or family members, helping around the home, "reading" picture books and magazines, drawing or coloring, learning to play a simple musical instrument, making up stories, planting a garden, swimming or other sports, and so on.

Six- to 12-Year-Olds

- Children of this age are old enough to understand how advertising works. Talk about ads they see and hear. Explain that advertisers are not allowed to tell lies, but they can *imply* things that are not true.
- Discuss how TV and radio commercials affect your family and its choices.
- Study newspaper or magazine ads, paying special attention to frequently used "selling" words and claims that could or could not be proved.
- Talk about how ads are made to appeal to different markets - young children, teens, senior citizens, etc.
- Let children write and record, draw, or act out ads they create.
- Encourage children to make a poster of different ads and tell other family members about the ads they cut out. Highlight the various emotions the ads are using to sell products.

Teenagers

- Continue with activities from other age groups, but expand.
- Help teenagers understand the positive aspects of advertising.
- Explore career opportunities in advertising with teenagers.

Remember, we need advertising to make our free market system work, but we don't have to let advertising control us. We can use advertising to help us get the best buys for the money we spend.

COMING

The next and last lesson in this series looks at a number of questions you might have concerning your child and money.

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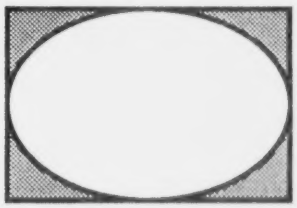

Lesson 6:

YOUR QUESTIONS– YOUR ANSWERS

Sally E. Horton Cooperative Extension College of Agriculture and Home Economics Washington State University Pullman

Main Ideas

When families work together, they can solve their problems better.

Children learn through family discussions.

Children learn by doing. There's no better way to teach money management than by letting children manage their own money.

Children need help and guidance to get them started out in the right direction.

The best teacher is a parent who sets a good example.

Key Words

***Family council** – A time for all family members to get together to talk about matters that affect them. It is a good time for parents to share with their children and teach them skills needed for a happy, successful life.*

***Goal** – An objective; a need or want that you can work for.*

***Spending plan** – A simple guide to show where money comes from, where it's going, and how to use it to reach goals.*

Why are we repeating these three key words again? Because they sum up the most important tools you can use to teach your children good money sense. You'll probably find that they do much more. A family council can help parents and children understand each other better. It can help children share actively in family values. It can make them feel like "partners" in the business of managing the family income – and as partners they are more likely to be willing and eager to help.

Setting realistic goals and working toward them with a spending plan can develop responsibility far beyond money matters. Children learn skills and attitudes that can help them manage their time, plan careers, share their resources, and make sound choices in many different aspects of life.

In the first five lessons, we talked about how children learn good money sense by watching what you do, listening to what you tell them, and practicing handling their own money – at first just a little, later more and more. We stressed how useful an allowance can be for helping children learn, and the special value of a no-strings-attached allowance - not used for discipline, not used for payment. We showed how to make a spending plan that includes saving for goals and sharing with others. And we talked about ways to resist advertising pressures and use advertisements to help make good decisions.

This lesson answers some practical questions that parents have asked.

QUESTIONS THAT MAY CONCERN YOU

Q What if a child loses money?

A Sympathize with children in the loss of money. Let them know you understand and share their feelings; discuss the loss in a calm way. Find out how the child happened to lose the money. Did it accidentally slip out of a pocket or was it not put in a safe place? Suggest ways to prevent future losses and encourage the child to carry only as much money as is needed. If some of the lost money is really needed for essentials, you may want to replace that much of it; but children need to learn that they are responsible for taking good care of their money.

Q What if the child hoards money?

A Some children may hoard their money and refuse to spend it. This is probably a passing phase – something that many children go through while they're learning to use money. If children hoard all their money, they may be getting the things they want by persuading parents to buy them. Sometimes young people have so much trouble

deciding what to buy that they end up not buying anything. Or they may be secretly saving for some long-wanted items. Parents may help by discussing possible ways to use money, guiding children in making choices, and encouraging young people to spend their own money for some of the things they want.

Q What if a child uses allowance money for the wrong things?

A Sometimes children don't use money for necessities as they agreed to. For example, a child might spend lunch money for comic books. Make sure children understand what they are supposed to pay for out of their allowance. Also check to make sure the allowance is enough to cover necessary expenses and leave a little for personal choices. If children still don't stick to their agreements, you may want to supervise their spending more closely for a while and reduce the number of choices they make.

Q What if a child goes on spending sprees?

A Children may save money like misers for weeks and then suddenly spend it all on something you think is worthless. Seven- or eight-year olds may use their entire allowance impulsively in one day, even though they have carefully set up a plan for spending.

Q Then the question is, should a child be given more money or should the child be made to suffer the consequences of the spending sprees?

A When young children are out of money and may miss an event that you think would be valuable for them, it may be wise to give extra money. Then help review and plan expenditures again. But when children of 11 or 12, who have had several years of practice with an allowance, let themselves run out of money, it may do them good to face the results of their actions. Parents can talk things over with them calmly and, if they are missing out on something they really want to do, help them find something else to take its place. Disappointment is a reality of living, and it's important to learn how to get over it.

Q What if a child breaks something in the house?

A. Should children be made to pay for such damages out of their own money? That depends on the situation and the child. Was it an accident beyond the child's control, or was it carelessness? Was it deliberate? It also depends on the amount of the allowance and the cost of the damage. If a child has to pay a whole week's or month's allowance, parents will end up handing out money to pay for the daily needs. But unless the accident was unavoidable, it may be a good idea for the child to pay for part of the damage, and so gain an understanding of the value of property.

Q What if a child breaks a neighbor's window or damages other property?

A If a neighbor's window is broken as a result of a backyard game, someone has to pay for the damage at once. If the cost is not too high, it may be a good idea to let the child apologize and arrange for the repairs. If the cost is too much for the child's (or the group's) allowance to cover, parents may have to help out. In a crisis, it's a rewarding experience to stand shoulder to shoulder with children. When you help pay damages, you can explain that the money comes out of family funds and won't be available to spend on other things. This will help children understand how their actions affect family spending.

Q What if a child steals money?

A Parents are often shocked if they discover that a child has taken money from them or someone else. But this doesn't mean that the child is a thief or likely to become one. Don't treat your child like a criminal! Children's stealing, in most cases, is a passing phase. When it does happen, parents should first try to understand why it happened. Handle children's stealing calmly and privately but promptly. Preschoolers may need help in learning what is and isn't theirs. Children past 6 or 8 who know they have done something wrong can be given a chance to "save face" by returning what they have taken; explain that the owner needs it. If the money has already been spent, let the child pay back from allowance or savings. If children steal money again and again and give it to others or spend it on buying them treats, it may mean they are lonesome or unhappy and need more affection and understanding. Help children make closer friendships both at home and with others of the same age

GUIDELINES FOR PARENTS

Remember that no two families are alike; so no hard-and-fast rules can be provided to help you teach your children money management. You can use the following suggestions as guidelines as you and your family manage your money.

- Be a good manager yourself. The financial responsibility that children find in their own home will shape their attitude toward the use of money.
- Give children a regular fixed allowance as soon as they are old enough to understand the use of money. Teach them that the

allowance takes the place of asking for money.

- Let children in on the family financial picture. Boys and girls should be given a general understanding of the family's income – its principal source and its main expenditures. If these discussions are kept cheerful, free, and matter-of-fact, the topic of family spending need not be too great a responsibility on young shoulders.
- Give the child opportunities to get experience in managing money.
- Let the child make mistakes and learn by experience that wasting money today means doing without later on. Let the child see that buying a cheap product is often expensive in the long run. But watch yourself! Your spending the children's money for them won't teach them the use of money.
- Encourage children to earn money if they want to increase their income, by giving them a real job to do and by paying no more an no less than it's worth. Be sure that any work children do outside the home to earn extra money is not physically harmful and does not expose them to wrong influences. Help your children find ways to earn money.
- Never use money as a reward or for punishment. Teach children that there are certain duties that should be performed as a member of the family group and even as a community citizen without pay.
- Teach children the value of saving for a definite purpose instead of saving for the mere fact of saving. Let them learn the folly of spending all their money at once and going into debt to buy something else. Teach children that borrowing money costs extra and must be repaid. Try to show that by going without something now, they may have greater satisfaction later.
- Explain that taking care of things that cost money is as important as saving money itself.
- Help children to realize the importance of wise sharing as well as wise spending and wise saving, but don't overemphasize the value of sharing money – don't give children the idea that they can buy friendship or respect. Show children that satisfaction and happiness can come through service.
- Encourage children to write down money transactions. Introduce them to banking, either by having them open a personal account or by helping you with the family account.

When you train children in sound financial habits, you will equip them to solve many of the difficult problems of adult life.

HOW ARE YOU DOING? RATE YOURSELF

Use the following questions to check your progress in helping your child manage money.

Does each of my children have some money to manage without my interfering?

Have I helped each of my children set up a spending plan?

Have I explained why and how people save money for future goals?

Do I avoid using money as a reward or punishment?

Does each of my children share household chores?

Do I help my children find ways to earn extra money, suitable to their age and ability?

Do I set a good example by being truthful about money matters?

Do I give my children more financial responsibilities as they get older and gain experience in handling money?

Do my children participate in family financial planning?

Am I a good money manager, giving my children a good example to follow?

"Yes" answers show that you are helping your children gain money management skills. "No" answers suggest you may still need to help them more.

Now compare your answers here to those you listed in Lesson 1. Do you feel better equipped to teach your child about money management? Let us know your feelings about the home study series, "Money Sense for Your Children."

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